

IRS Fact Sheet

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IRS FY 2012 Budget Proposal Summary

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The Administration's [FY 2012 budget request for the Internal Revenue Service](#) is nearly \$13.3 billion, a \$1.1 billion increase from the FY 2010 budget. Because of the IRS's unique function as the revenue center of government, this budget increase actually reduces the deficit through increased tax enforcement revenues.

The IRS plays a unique role in government. In FY 2010, the IRS collected \$2.345 trillion in taxes, representing 93 percent of federal government receipts. The IRS processed 141 million individual tax returns in 2010 and issued 109.5 million in refunds worth \$366 billion.

The IRS 2012 funding request reflects a continued commitment to balance taxpayer service with fair enforcement of the tax laws. The IRS will also continue to invest in its service program, with particular emphasis on online services.

At the same time, the IRS continues to run a disciplined operation, identifying more than \$188 million in cost-savings in 2012, coming on top of similar efficiency savings in 2010 and 2011.

Enforcement Program

The FY 2012 budget includes \$339 million in new IRS enforcement initiatives, which raise \$1.3 billion in revenue annually at full performance. This is a return on investment (ROI) of 4.5 to 1 when new hires reach full potential in FY 2014.

Prior investments in IRS enforcement programs have yielded significant increases in enforcement revenue. In FY 2010, enforcement revenue reached nearly \$58 billion, exceeding the previous year by 18 percent.

The proposed FY 2012 funding will enable the IRS to continue to strengthen enforcement efforts and reduce the tax gap in several areas, including:

- Increasing compliance by addressing offshore tax evasion through several initiatives. The budget will help the IRS to conduct more examinations and implement the Foreign Account Tax Compliance Act (FACTA).
- Implementing information reporting requirements approved by Congress in 2008 to validate income reported by businesses by reconciling their income with their payment card receipts and third party transactions.

- Improving tax debt collection coverage and improving collection processes.

The IRS will also continue to focus on compliance issues and new responsibilities arising from recent tax law changes included in major legislation, including the American Recovery and Reinvestment Act and the Affordable Care Act.

Return Preparer Initiative

The FY 2012 budget request includes nearly \$17 million to increase oversight of tax return preparers. This initiative will help ensure uniform and high ethical standards of conduct for tax return preparers by enforcing preparer compliance with IRS rules, increasing preparer examinations and pursuing preparers engaged in fraudulent activities.

Taxpayer Service Program

The FY 2012 request provides funding for initiatives to increase taxpayer access to telephone assistance, strengthen compliance and meet the growing demand for electronic services.

This initiative will provide additional staff to improve telephone level of service, as well as enhance automated self-service applications that allow taxpayers to obtain information on basic issues such as refund inquiries.

The budget request also includes \$33 million to improve the IRS website and provide new online services. Last year, there were nearly 305 million visits to www.IRS.gov and nearly 76 million taxpayers checked the status of their refund by accessing “Where’s My Refund?” on the IRS website.

Business System Modernization

The request provides funding to continue the implementation of the core taxpayer account database, Customer Account Data Engine 2 (CADE 2), and the expansion of Modernized e-File (MeF).

The budget request will enable the IRS to continue the migration of applications to CADE 2. CADE 2 allows the IRS daily processing capabilities, which will result in faster refunds. Additionally, it will allow IRS personnel quicker access to data for customer service inquiries.

Modernized e-File provides electronic filing and payment options for individuals and businesses. The FY 2012 MeF request will allow the IRS to add the 125 remaining forms and schedules to the IRS MeF system and expand the reach of MeF to all of the e-File population, nearly 100 million individual filers.

Affordable Care Act (ACA)

The 2012 funding request reflects the IRS cost for administering the tax provisions included in the Affordable Care Act. This funding request will be used to administer a number of new provisions that come into effect over the next several years. Some — such as the small employer health care tax credit — are in effect already. Others, such as the premium assistance tax credit and the individual coverage requirement, are not in effect until 2014.

More than 80 percent of the IRS ACA request is devoted to building Information Technology systems and other infrastructure activities.

Health Coverage Tax Credit Administration

The health coverage tax credit (HCTC) pre-dates the Affordable Care Act and was created by the Trade Act of 2002. The credit pays 80 percent of a qualified health plan premium for eligible trade-affected workers, Pension Benefit Guaranty Corporation (PBGC) payees and their families. Individuals can receive the credit either as their monthly health plan premium becomes due or when they file their federal tax return. The FY 2012 budget request includes \$18 million to administer this program.